



November 30, 2007

Russell Read  
Chief Investment Officer  
CalPERS  
Lincoln Plaza North  
400 Q Street  
Sacramento, CA 95811

Dear Russell,

Congratulations on completing the 2007 Asset-Liability project. Your team has worked hard to bring numerous complexities and opinions together into a robust and cohesive framework to help the CalPERS Investment Committee make its most critical investment policy decisions. Thank you for giving us the opportunity to join you in this effort.

We have reviewed the final draft of Staff's memo entitled Strategic Asset Allocation Recommendation for presentation at the Investment Committee's December 17<sup>th</sup> meeting. In summary, we believe the memo conveys effectively the key issues of the 2007 Asset-Liability Project and Workshop. We view the consideration/inclusion of the Inflation Linked Asset Class and the combination of the public equities classes into a consolidated Global Equity class as prudent and appropriate policy adjustments. In addition, we believe the two strategic allocations recommended by Staff (referred to as Mixes A and B) are reasonable and prudent choices for the Investment Committee to consider. It is also our view that Staff's memo summarizes effectively (i) the distinction between these choices and (ii) the processes and procedures utilized to arrive at these choices. We concur with Staff's recommendation.

If we can be of any further assistance in these matters, we would be happy to assist.

Best regards,

A handwritten signature in black ink, appearing to read 'Allan R. Emkin', is written over a horizontal line.

Allan R. Emkin  
Managing Director

cc: Farouki Majeed